

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**March 22, 2005**

The Capital Projects and Bond Oversight Committee met on Tuesday, March 22, 2005, at 9:30 AM, in Room 129 of the Capitol Annex. Senator Robert (Bob) Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Mike Denham, Co-Chair; Senator Bob Leeper, Co-Chair; Representatives Paul Marcotte and Jim Wayne; and Senators Tom Buford, Jerry Rhoads, and Dan Seum.

Guests testifying before the Committee: Bob Wiseman, University of Kentucky; Jim Abbott, Finance and Administration Cabinet; Bill Hintze, Governor's Office for Policy and Management; Sandy Williams, Kentucky Infrastructure Authority; and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Chairman Leeper introduced Senator Dan Seum and welcomed him to the meeting. He said Senator Seum is a newly appointed Committee member, and will be replacing Senator Tom Jensen.

Senator Buford made a motion to approve the minutes of the February 17, 2005, meeting as submitted. The motion was seconded by Senator Rhoads and passed by voice vote.

Senator Leeper called on Ms. Mary Lynn Collins, Committee Staff Administrator, to review correspondence and information items. Ms. Collins said members' folders included one correspondence item - the Kentucky Lottery Corporation's monthly financial report for January 2005, and three information items - a staff update on various capital projects; a list of capital projects included in the state/executive branch budget as approved March 8; and proposed legislation relating to the jurisdiction of the Capital Projects and Bond Oversight Committee.

Ms. Collins discussed two items contained in the staff update. She said the new Complex for Engineering and Biological Sciences at Western Kentucky University, which was authorized in the 2000-2002 budget, was recently dedicated; and the fort at Fort Boonesborough State Park is now reopened, and the buildings that were damaged by fire in February 2002 have been renovated and replaced.

In response to a question by Representative Wayne, Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, said the buildings damaged in the fire

at Fort Boonesborough were covered by insurance. He said he would check to see if the insurance proceeds covered 100% of the cost of replacement, and would get back to the Committee.

Representative Wayne asked who would have received the insurance check for this project. Mr. Hintze said the check would go to the Department of Parks, and if contingency or emergency funds were used to expedite the replacement work, those funds would be recovered from the insurance proceeds if available.

Mr. Bob Wiseman, Vice President for Facilities, University of Kentucky (UK), next reported a \$76,000 project scope increase for the Commonwealth Stadium Locker Room Renovation project. The scope increase will be covered with restricted funds and will be used to award the project to the lowest bidder.

Representative Denham made a motion to approve the scope increase. The motion was seconded by Senator Buford and passed by unanimous roll call vote. The revised project scope is \$726,000.

Senator Leeper asked Mr. Bill Hintze and Mr. Jim Abbott, Commissioner of Facilities and Support Services, to present the Finance Cabinet's monthly report to the Committee. Mr. Hintze reported a \$65,000 federally-funded scope increase for the Department of Military Affairs Mobile Command Post project. The Mobile Command Post is a state-of-the-art vehicle for use by the National Guard Bureau. Mr. Hintze said the additional funds will be used to purchase more communications hardware for the vehicle to improve interoperable communications with local emergency responders and state and local law enforcement agencies.

Representative Marcotte made a motion to approve the scope increase. The motion was seconded by Senator Buford and passed by unanimous roll call vote. The revised project scope is \$399,000.

Mr. Abbott next reported a lease renewal for the Department of Revenue, PR-3882 at 100/200 Fair Oaks, in Franklin County. The Department plans to renew this lease for five years at an annual cost of \$1,702,535, an increase of \$279,151 in annual leasing costs.

Senator Leeper noted that the legislature has passed House Bill 241 that will allow state agencies in the future to use contingency account funds for moving costs if the move addresses health, safety, or governmental efficiencies. Mr. Abbott said this legislation will have a positive impact, and the Finance and Administration Cabinet is thankful the legislature passed it.

Senator Buford made a motion to approve the lease report. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Mr. Abbott next presented a lease improvement report for the Governor's Office for Local Development (PR-3657), 1024 Capital Center Drive, in Franklin County. The modifications, which are now complete, were necessary in order to consolidate staff from the Kentucky Infrastructure Authority, now under the Governor's Office for Local Development

(GOLD), with the GOLD staff currently located at 1024 Capital Center Drive. By consolidating the KIA staff with GOLD, Mr. Abbott said the cancellation of the lease for space previously occupied by the KIA staff resulted in annual savings of \$47,260.

Senator Leeper said at some point in January 2005, the Department realized these modifications were going to exceed the \$50,000 limit, but the Committee was not notified until March. He reminded the Department that future reports in which the improvements total more than \$50,000, should be reported to the Committee on a more timely basis. (Modifications excluding \$50,000 are to be submitted to the Committee prior to the modifications being made.) Mr. Abbott said they will do their best to ensure that this does happen in the future. He said the improvements were done as two separate modifications, and they did not initially realize that the modifications would exceed \$50,000.

Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), reported three new KIA loan requests. The first was a Fund B (Infrastructure Revolving Loan Fund) loan request in the amount of \$2,171,000 for the Hart County Fiscal Court. The proceeds will be used to perform various infrastructure site improvements for a new site for a manufacturing facility (T. Marzetti Company).

Representative Wayne asked if the Hart County Fiscal Court has the ability to repay the KIA Fund B loan if the T. Marzetti Company does not create the required number of jobs in the timeframe projected. Ms. Williams said KIA believes the County can repay the loan if the jobs are not created. She said the terms of repayment are stated in KIA's assistance agreement with Hart County, and are legally binding.

Senator Buford asked why the Hart County Fiscal Court was not able to provide KIA with a balance statement listing its assets and liabilities. He asked if this was a requirement. Ms. Williams said KIA will require Hart County to provide to annual audited financial statements.

The second was a request to refinance two Fund F (Federally Assisted Drinking Water Revolving Loan Fund) loans totaling \$609,630 for the Greater Fleming County Regional Water Commission. The Water Commission is requesting a change in terms from 30 years to 20 years.

Representative Denham asked if the Greater Fleming County Regional Water Commission's cashflow is enabling them to change the terms of two of their KIA loans from 30 to 20 years. Ms. Williams said the Water Commission requested the change in order to comply with federal regulations. (These two loans were made under the federal wetland protection program which limits loans to 20 years.) The change will increase the Commission's loan payments by approximately \$10,000 per year, and they have the revenue to repay the additional amount. She said the Water Commission's wholesale water rates will increase by approximately \$.04 per thousand gallons.

Representative Denham said the Greater Fleming County Regional Water Commission was the first project developed under the Safe Drinking Water Act. He said this project is a success story.

The third was a Fund F1 loan in the amount of \$359,500 to the City of Manchester in Clay County. The proceeds will be used for planning and design associated with the construction of a new water treatment plant.

Senator Buford made a motion to approve the three KIA loans. The motion was seconded by Representative Marcotte and passed by unanimous roll call vote.

Also included in members' folders was a report from KIA regarding two Coal/Tobacco Development Grants. No further action was required on these projects.

The next report was provided by Mr. Tom Howard, Deputy Executive Director, Office of Financial Management (OFM). Mr. Howard presented one follow-up report for a previously approved bond issue: Kentucky Housing Corporation Housing Revenue Bonds, 2004 Series G (Non-AMT) in an amount not to exceed \$10,225,000; 2004 Series H (AMT) in an amount not to exceed \$29,775,000; and 2004 Series I (AMT, Variable Rate) in the amount of \$5,000,000. This was a previously approved issue, and no further action was required for this report.

Mr. Howard next presented seven new school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Allen County, Clinton County, Elizabethtown Independent (2) (Hardin Co.), Henry County, Knox County, and Rowan County.

Senator Buford made a motion to approve the seven school bond issues. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Senator Leeper said there were two locally-funded school bond issues submitted to the Committee for review this month: Breathitt County and Kenton County. He said all disclosure information has been filed, and no further action on the bond issues was required.

Also included in members' folders was the debt issuance calendar. No action was required for this report.

Senator Leeper welcomed Representative Jim Bruce to the Committee meeting.

Senator Leeper said the Committee's next meeting is scheduled for April 19 at 1:00 p.m. in Room 129, Capitol Annex.

With there being no further business, Representative Wayne made a motion to adjourn the meeting. The motion was seconded, and the meeting adjourned at 9:35 a.m.